

CCXAP assigns first-time long-term credit rating of BBB_g- to Renshou Xingxin Industrial Investment Co., Ltd., with stable outlook.

Hong Kong, 18 April 20224 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g- to Renshou Xingxin Industrial Investment Co., Ltd. (“RXII” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of RXII reflects Renshou County Government’s (1) strong capacity to provide support, and (2) very high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Renshou County Government’s capacity to provide support reflects Renshou County’s ongoing growth of economic and fiscal strengths, with rich agricultural resources to support future development.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) crucial status as an important industrial infrastructure construction entity in Renshou County; and (2) track record of receiving government support. However, the rating is constrained by the Company’s (1) fast debt growth and weak asset liquidity; (2) medium exposure to commercial activities; and (3) large reliance on non-standard financing.

Corporate Profile

Formerly known as Renshou County Wangyang Investment Development Co., Ltd., RXII is an important industrial investment platform and industrial infrastructure construction entity in Renshou County. The Company is mainly responsible for the industrial infrastructure construction in Renshou County. It also engaged in commercial businesses such as the construction of self-operating projects, wire and cable sales, and monitor sales. As of 30 September 2023, the Company is wholly owned by Renshou Development Investment Group Co., Ltd. and ultimately controlled by the Renshou County State-owned Assets and Financial Affairs Bureau (“Renshou SAFAB”).

Rating Rationale

Credit Strengths

An important industrial infrastructure construction entity in Renshou County. Renshou Urban Investment Group Co., Ltd. (“RUIG”) is the most important LIIFC in Renshou County, taking up infrastructure construction and state-owned asset operation business within Renshou County. As one of the major subsidiaries of RUIG, RXII is also an important infrastructure construction and industrial investment entity in Renshou County, with a clear strategic role in regional industrial development. The Company is mainly responsible for the investment and financing of key industrial projects and industrial infrastructure construction, as well as land sales, in Renshou County. Given its strategic role, we believe the Company will maintain its important position in industrial development in Renshou County.

Track record of receiving government support. The Company has a solid track record of receiving support from the local government in the past few years, including government

subsidies and cash injections. Considering RXII is an important infrastructure construction entity in Renshou County, we expect the Company to receive ongoing support from the local government and its parent company in the future.

Credit Challenges

Fast debt growth and weak asset liquidity. RXII has demonstrated a fast debt growth as a result of relatively large capital demands from the construction projects. In addition, the Company has a certain short-term repayment pressure. Given the Company's relatively large capital expenditure on construction projects, we expect the Company will have fast debt growth for the next 12-18 months. In addition, the Company has weak asset liquidity. Moreover, the Company's total asset mainly consists of inventories, fixed asset, and receivables accounting for 77.8% of its total assets as of 30 September 2023, which are considered low liquidity.

Large reliance on non-standard financing. RXII has access to the debt capital market and maintains a good relationship with large domestic banks. As of 30 September 2023, about 64.9% of the Company's debt financing was provided by domestic banks. Around 5.2% of the Company's debt was provided by the debt capital market. In addition, the Company has relatively high exposure to non-standard financing, which accounted for 29.9% of its total debt. Non-standard financing carries a high financing cost with low financing flexibility.

Rating Outlook

The stable outlook on RXII's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in the industrial development of Renshou County.

What could upgrade the rating?

The rating could be upgraded if (1) Renshou County Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as improved access to fundings and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Renshou County Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as deteriorated access to fundings, or material decreased government support.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).



Regulatory Disclosures

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Jonathan Kwong

Credit Analyst

+852-2860 7132

Jonathan_kwong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656